

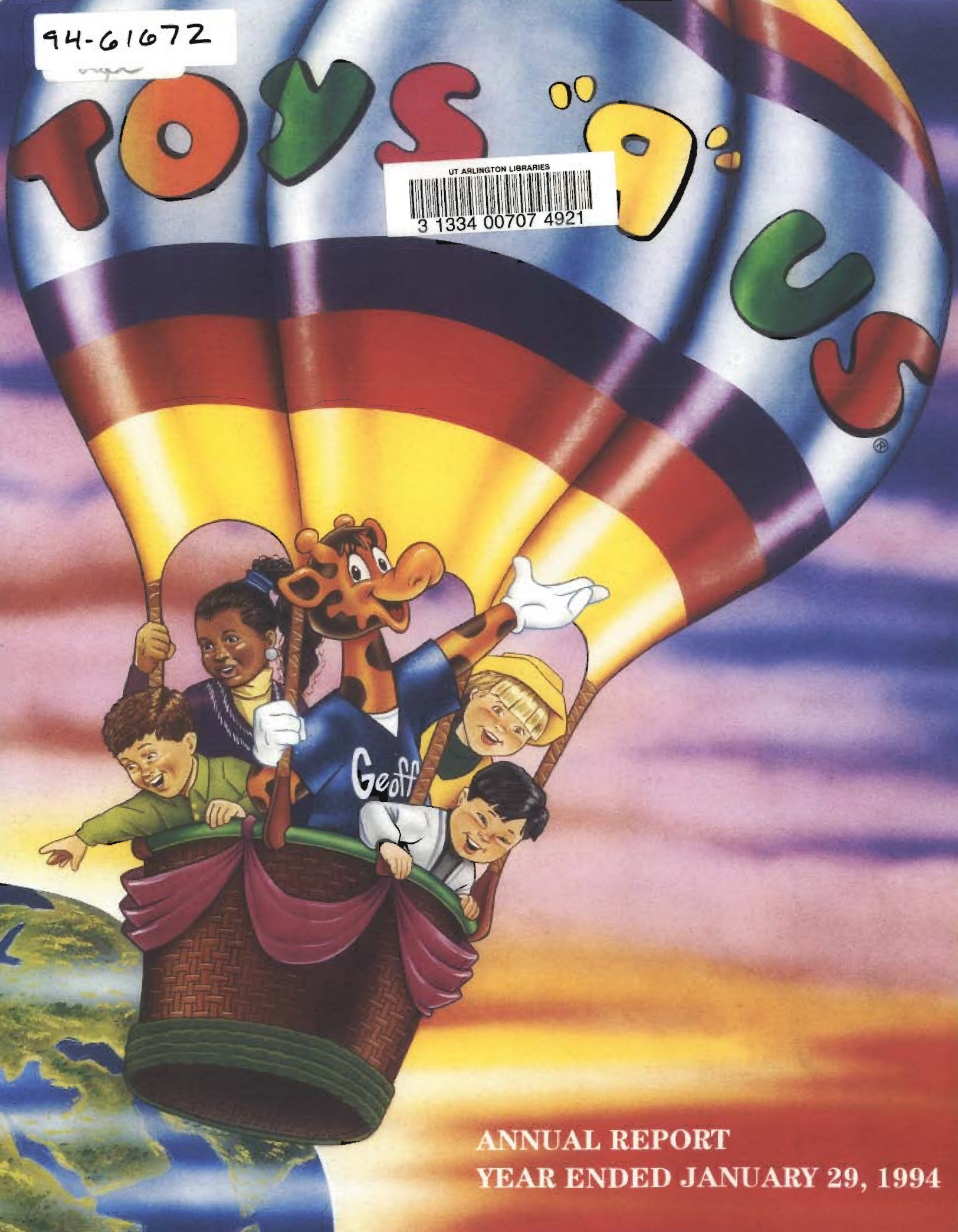
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ANNUAL REPORT

YEAR ENDED JANUARY 29, 1994



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Toys "R" Us is the world's largest and fastest growing children's specialty retail chain in terms of both sales and earnings. At January 29, 1994, the Company operated 581 toy stores in the United States, 234 international toy stores and 217 Kids "R" Us children's clothing stores.

## STORE LOCATIONS

### TOYS "R" US UNITED STATES - 581 LOCATIONS

|                 |                    |                     |                   |
|-----------------|--------------------|---------------------|-------------------|
| Alabama - 7     | Indiana - 12       | Nebraska - 3        | Tennessee - 11    |
| Alaska - 1      | Iowa - 6           | Nevada - 3          | Texas - 43        |
| Arizona - 10    | Kansas - 4         | New Hampshire - 5   | Utah - 5          |
| Arkansas - 2    | Kentucky - 7       | New Jersey - 21     | Virginia - 17     |
| California - 74 | Louisiana - 8      | New Mexico - 3      | Washington - 10   |
| Colorado - 9    | Maine - 2          | New York - 36       | West Virginia - 3 |
| Connecticut - 8 | Maryland - 16      | North Carolina - 15 | Wisconsin - 11    |
| Delaware - 2    | Massachusetts - 16 | Ohio - 27           |                   |
| Florida - 36    | Michigan - 23      | Oklahoma - 4        | Puerto Rico - 4   |
| Georgia - 14    | Minnesota - 11     | Oregon - 5          |                   |
| Hawaii - 1      | Mississippi - 3    | Pennsylvania - 27   |                   |
| Idaho - 1       | Missouri - 12      | Rhode Island - 1    |                   |
| Illinois - 33   | Montana - 1        | South Carolina - 8  |                   |

### KIDS "R" US - 217 LOCATIONS

|                 |                   |                   |                 |
|-----------------|-------------------|-------------------|-----------------|
| Alabama - 1     | Indiana - 7       | Missouri - 4      | Tennessee - 1   |
| Arizona - 4     | Iowa - 1          | Nebraska - 1      | Texas - 5       |
| California - 31 | Kansas - 1        | New Hampshire - 2 | Utah - 3        |
| Connecticut - 6 | Maine - 2         | New Jersey - 17   | Virginia - 7    |
| Delaware - 1    | Maryland - 8      | New York - 20     | Wisconsin - 3   |
| Florida - 7     | Massachusetts - 4 | Ohio - 19         |                 |
| Georgia - 4     | Michigan - 13     | Pennsylvania - 14 | Puerto Rico - 3 |
| Illinois - 21   | Minnesota - 6     | Rhode Island - 1  |                 |

### TOYS "R" US INTERNATIONAL - 234 LOCATIONS

|               |                 |                     |
|---------------|-----------------|---------------------|
| Australia - 7 | Hong Kong - 4   | Spain - 17          |
| Austria - 5   | Japan - 16      | Switzerland - 4     |
| Belgium - 2   | Malaysia - 2    | Taiwan - 3          |
| Canada - 50   | Netherlands - 5 | United Kingdom - 45 |
| France - 25   | Portugal - 2    |                     |
| Germany - 44  | Singapore - 3   |                     |



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**OPERATIONS:**

|                          |          |          |          |          |          |          |          |          |          |          |
|--------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Net Sales .....          | \$ 7,946 | \$ 7,169 | \$ 6,124 | \$ 5,510 | \$ 4,788 | \$ 4,000 | \$ 3,137 | \$ 2,445 | \$ 1,976 | \$ 1,702 |
| Net Earnings.....        | 483      | 438      | 340      | 326      | 321      | 268      | 204      | 152      | 120      | 111      |
| Earnings Per Share ..... | 1.63     | 1.47     | 1.15     | 1.11     | 1.09     | .91      | .69      | .52      | .41      | .39      |

**FINANCIAL POSITION AT YEAR END:**

|                             |       |       |       |       |       |       |       |       |       |       |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Working Capital .....       | 633   | 797   | 328   | 177   | 238   | 255   | 225   | 155   | 181   | 222   |
| Real Estate-Net .....       | 2,040 | 1,877 | 1,751 | 1,433 | 1,142 | 952   | 762   | 601   | 423   | 279   |
| Total Assets .....          | 6,150 | 5,323 | 4,583 | 3,582 | 3,075 | 2,555 | 2,027 | 1,523 | 1,226 | 1,099 |
| Long-Term Obligations ..... | 724   | 671   | 391   | 195   | 173   | 174   | 177   | 85    | 88    | 88    |
| Stockholders' Equity .....  | 3,148 | 2,889 | 2,426 | 2,046 | 1,705 | 1,424 | 1,135 | 901   | 717   | 579   |

**NUMBER OF STORES AT YEAR END:**

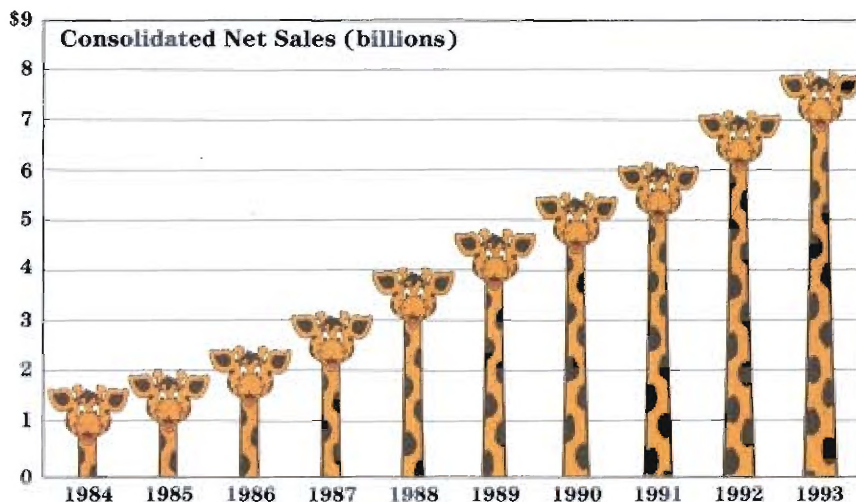
|                                 |     |     |     |     |     |     |     |     |     |     |
|---------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Toys"R"Us - United States.....  | 581 | 540 | 497 | 451 | 404 | 358 | 313 | 271 | 233 | 198 |
| Toys"R"Us - International ..... | 234 | 167 | 126 | 97  | 74  | 52  | 37  | 24  | 13  | 5   |
| Kids"R"Us.....                  | 217 | 211 | 189 | 164 | 137 | 112 | 74  | 43  | 23  | 10  |

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# TO OUR STOCKHOLDERS

## FINANCIAL HIGHLIGHTS

We are pleased to report another excellent year for Toys "R" Us. In 1993, we once again achieved record sales and earnings as well as significant market share gains. Since Toys "R" Us became a public company, we have reported 15 consecutive years of sales and earnings increases, with an annual compounded growth rate over that period of 25%.

Our sales reached \$7.9 billion, an 11% increase over the \$7.2 billion reported in the previous year. Pre-tax earnings increased 12% while net earnings rose to \$483 million, a 10% increase over the \$438 million in 1992. Earnings per share were \$1.63 compared to \$1.47 a year ago. Our stockholders' equity increased to \$3.1 billion by the end of 1993.

We achieved these outstanding results by having the best selection of merchandise, being stocked in depth, and by being competitive with our everyday low prices. Our strong performance also reflects several new marketing and merchandising initiatives implemented this year; including the wider distribution of our Holiday Toy Catalog, the expansion of Books "R" Us shops within our U.S.A. toy stores and increased customer service initiatives.

Our existing and new strategies contributed to comparable store sales increases in our U.S.A. toy stores of 6.5% in the fourth quarter and 3.3% for the year. These results are particularly impressive as they come on top of strong increases in each of the last two years.

Internationally, Germany and Japan had comparable store sales decreases in their local currencies, reflecting the recessionary economic conditions in those countries. Canada, the United Kingdom, France and Spain had comparable store sales increases. We continue to be pleased with the acceptance of our new stores throughout the world. Our International division once again, demonstrated its ability to improve inventory management and increase



*Robert C. Nakasone, President and Chief Operating Officer and Michael Goldstein, Vice Chairman and Chief Executive Officer.*

labor and distribution productivity in spite of the difficult economic environment in Europe and Japan.

We have created a franchising division that will enable us to bring additional countries into the Toys "R" Us family on an accelerated basis, and provide for the opening of stores in additional parts of the world. We have already signed two franchise agreements which allow for the opening of Toys "R" Us stores in the Middle East commencing in 1994. We will receive royalty and other related franchise service fees providing meaningful cash flow and earnings for our International division.

Our Kids "R" Us children's clothing stores' sales improved throughout the second half of the year, and despite a difficult apparel sales environment, ended the year with a slight increase. Operating profits increased approximately 25% following a 50% increase in 1992 reflecting the improved expense and inventory control as well as new marketing and merchandising strategies. Kids "R" Us continues to make strategic improvements to increase its profitability. In 1993, four stores were closed and we anticipate closing another 15 to 20 stores which are not meeting expectations.

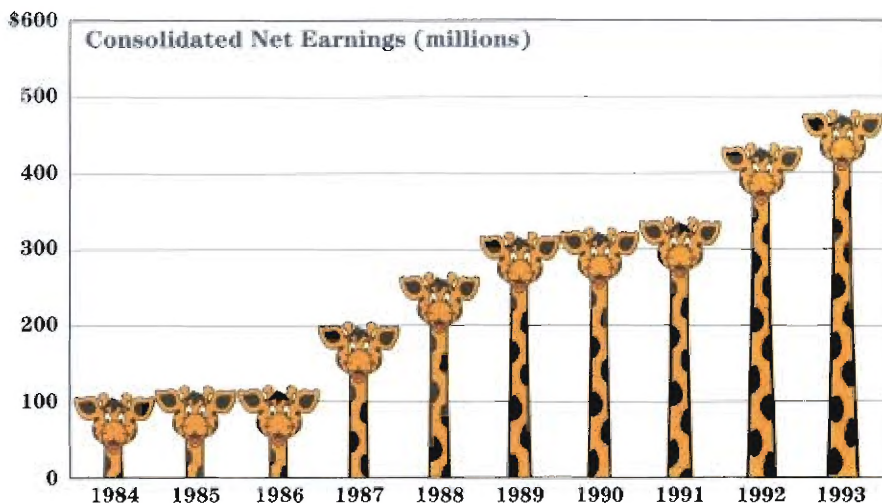
Lastly, we announced a plan to buy back \$1 billion of our common stock over the next several years. Even with our aggressive expansion, Toys "R" Us expects to generate excess cash flow. We believe that in addition to investing in our ongoing business, the repurchase of Toys "R" Us common stock will increase shareholder value.

## OPERATIONAL HIGHLIGHTS

We are proud of our ability to provide our customers with the best selection of merchandise, stocked in depth with everyday low prices, while maintaining one of the lowest expense structures in the industry. The following highlights some 1993 accomplishments along with our plans for 1994.

In 1993, we significantly expanded the distribution of our Holiday Toy Catalog providing our customers with even more coupons than in prior years. The catalog was very successful and allowed us to highlight the broad selection of merchandise that can be found at Toys "R" Us. Customers used the catalog as a shopping aid throughout the Holiday season.

We have continued testing various "specialty shops" within our stores; the most notable being "Books "R" Us".



The Books "R" Us shops offer a broad selection of children's books and encourage children to read. In 1993, we added about 160 "Books "R" Us" shops and plan to have over 300 shops by the end of 1994. We have also been experimenting with other shops such as construction toys, large outdoor playsets and stuffed animals. We believe that these shops help distinguish Toys "R" Us from our competitors.

Enhancing customer service continues to be a primary focus for Toys "R" Us. In 1993, we expanded our successful "Geoffrey Helper" program in both the U.S.A. and International toy stores. In 1994, we will install customer friendly in-aisle price scanners and other service oriented technology to assist our customers who are our number one priority.

In 1990, we began remodeling about fifteen of our older U.S.A. toy stores each year. The remodeled stores enhance the customers' shopping experience while increasing in-store productivity. In 1993, we accelerated this program to about 25 stores and expect to remodel another 25 to 30 stores in 1994.

The use of technology to control expenses is a priority at Toys "R" Us. We again increased productivity and improved our ability to replenish stores by building an automated state-of-the-art distribution facility in southern Germany and retrofitting an

existing facility in California with our new automated systems. In 1994, we plan to replace four U.S.A. toy distribution centers with two automated facilities in Missouri and Florida. Distribution facilities in France, Germany and Spain will also be retrofitted with new automated systems.

All U.S.A. toy stores were provided with laser radio terminal (LRT) technology in 1993, which takes advantage of wireless radio frequency communications within our stores. This equipment enhances shelf replenishment and improves employee productivity.

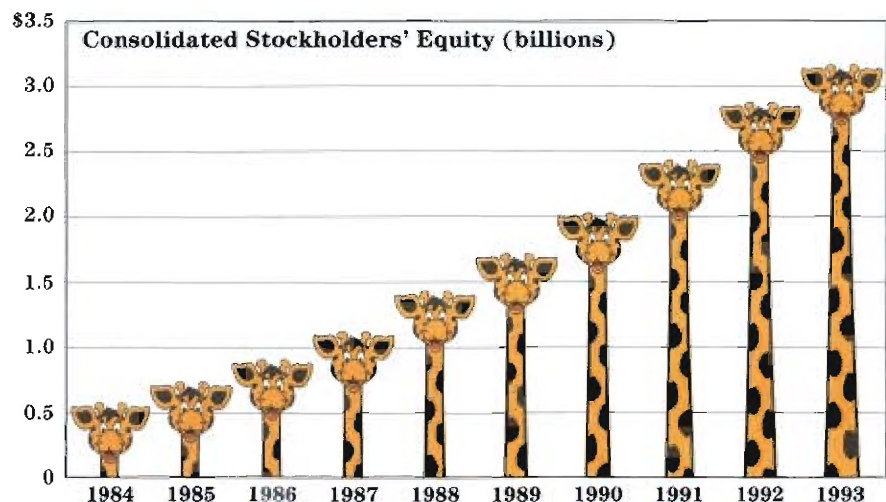
We installed satellite technology in North America. This technology instantaneously links our stores with our headquarters' computer databases

as well as our customer transaction authorization networks in a more cost effective manner. We have also been able to utilize business television in our North American stores.

### **STORE GROWTH**

In 1993, we opened 41 toy stores in the United States. Internationally, 67 stores opened in 11 countries, including our first stores in Australia, Portugal, Belgium, Switzerland and the Netherlands. For the first time, our International division opened more toy stores than the United States division. We also opened 10 Kids "R" Us stores. At the end of 1993, we had 815 toy stores operating in 46 states and Puerto Rico, Canada; Europe - the United Kingdom, Germany, France, Spain, Austria, Switzerland, the Netherlands, Belgium and Portugal; Asia - Japan, Hong Kong, Singapore, Malaysia and Taiwan; and Australia. We also had 217 Kids "R" Us stores operating in 29 states.

In 1994, we plan to open 40 to 45 toy stores in the U.S.A. and 65 to 70 stores internationally, including our first stores in Scandinavia. The new Scandinavian stores will be serviced from the United Kingdom. Once again, our anticipated opening of international stores will exceed the openings in the U.S.A. The international stores will capitalize on the existing infrastructure thereby enhancing the profitability of new





and existing stores. We plan to open about 10 new Kids "R" Us stores.

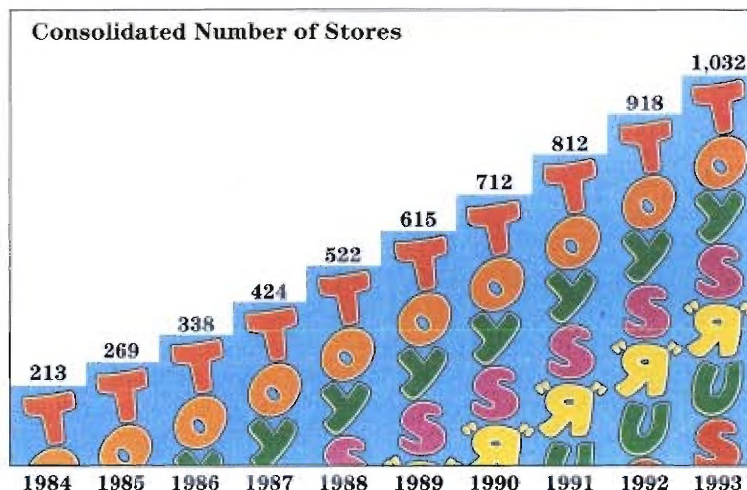
With our financial strength, we intend to capitalize on our strong competitive position throughout the world, by continued expansion to achieve greater sales, earnings and market share gains.

#### **CORPORATE CITIZENSHIP**

Toys "R" Us maintains a corporate-wide giving program focusing on improving the health care needs of children by supporting many national and regional children's health care organizations. In 1993, we contributed funds to more than 10 new children's health care organizations. We expanded our Hospital Playroom Program in 1993 by opening 4 additional playrooms bringing the total to 18. This program fixtures and equips quality children's play centers in hospitals. We expect to expand our program into eight additional hospitals in 1994.

Once again we were very involved in assisting those in need in the aftermath of the floods in the Midwest and the Southern California earthquake by providing free diapers and other basic consumables.

Toys "R" Us is a signatory to a Fair Share Agreement with the NAACP and has taken steps to support women and other minorities in the workplace. We are the leading purchaser of products from several minority-owned toy companies.



Toys "R" Us continues to have a strong toy safety program which includes the inspection of directly imported toys. Furthermore, we continue to take numerous pro-active initiatives, including a leadership position in eliminating the sale of look-a-like toy guns.

Through our new Books "R" Us shops, we are promoting literacy by demonstrating to children that reading is fun. We introduced a reading initiative called Geoffrey's Reading Railroad which offers a free reading kit with prize incentives for reading up to nine books. In conjunction with the opening of Books "R" Us shops, Toys "R" Us reached out to the community and selected Reading Is Fundamental (RIF) as the recipient of a grant. Part of this grant went towards RIF's Project Open Book, a program that provides books to children in homeless shelters.

#### **HUMAN RESOURCES**

The excellence of our management team and associates enables Toys "R" Us to expand aggressively and profitably.

We have made the following important promotions and additions to our executive ranks:

##### **Corporate and Administrative:**

Michael J. Corrigan, Vice President - Compensation and Benefits

##### **Toys "R" Us, United States:**

Lee Richardson, Vice President - Advertising

Karl S. Taylor, Vice President - Merchandise Planning and Allocation

##### **Toys "R" Us, International:**

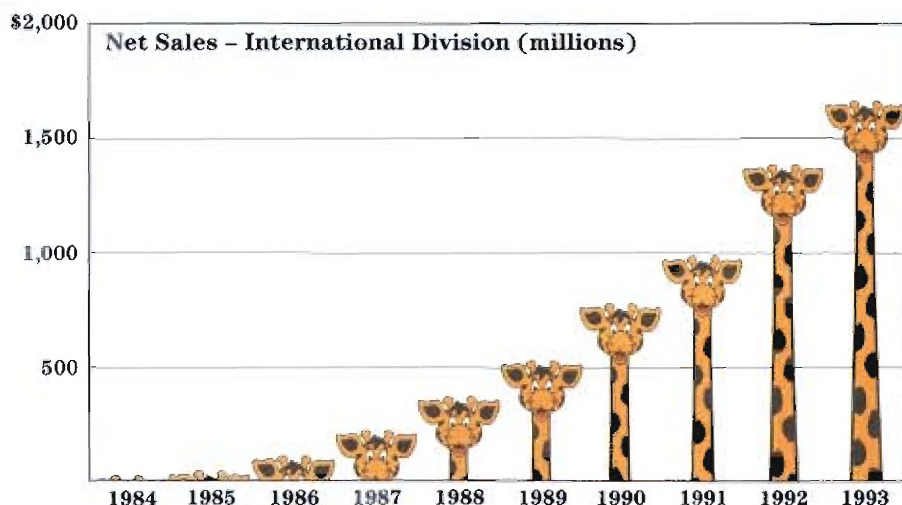
Ken Bonning, Vice President - Logistics

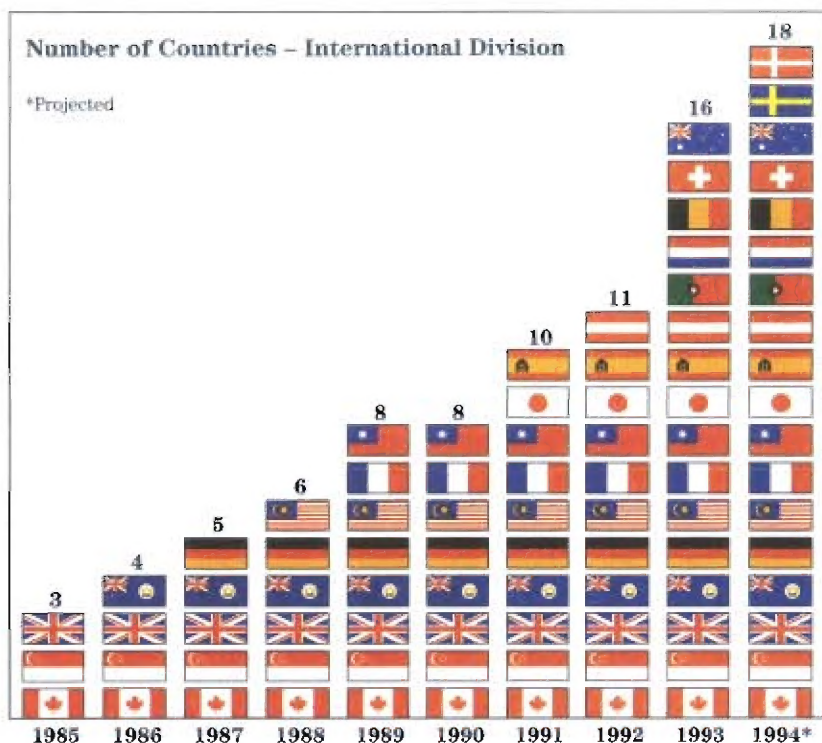
Keith C. Spurgeon, Vice President - Toys "R" Us, Asia/Australia

##### **Kids "R" Us:**

Virginia Harris, Senior Vice President - General Merchandise Manager

Lorna E. Nagler, Vice President - Divisional Merchandise Manager





## SUMMARY

The exciting world of Toys "R" Us continues to expand. We look forward to a strong year in 1994, with profit improvement in all three divisions. We will work hard to continue being the most trusted store in town.

We value our excellent relationships with our innovative suppliers and commend them for their products, which create excitement in our stores. Our assessment of the February New York Toy Fair indicates an exciting year in basic categories such as crafts, construction, action figures, preschool and dolls with reasonably priced quality product.

We recognize the dedication and quality work of our associates around the world who have made this another record year. Our appreciation is also extended to you, our stockholders, for your commitment and loyalty to Toys "R" Us.

Finally, we would like to thank Charles Lazarus, our founder and the Chairman of the Board for his confidence in us and the rest of the Toys "R" Us team. He has created an impressive organization and a great legacy. We intend to fully meet his expectations and live up to the standards he set.

Sincerely,

Michael Goldstein  
Vice Chairman and  
Chief Executive Officer

Robert C. Nakasone  
President and  
Chief Operating Officer

March 30, 1994



Charles Lazarus, Chairman of the Board

## LETTER FROM THE CHAIRMAN

Over the past 46 years since I opened my first toy store in Washington, D.C., I have seen Toys "R" Us grow to become a sophisticated, multinational company with stores throughout the world. Many people have contributed to the success of our company, none more than Mike Goldstein, our new Vice Chairman and Chief Executive Officer, and Bob Nakasone, our new President and Chief Operating Officer. These appointments are an integral part of our succession planning process and give added responsibilities to our two most senior executives.

In my new role, I will continue to be significantly involved with Toys "R" Us in a variety of ways. First and foremost, I will ensure that the vision of Toys "R" Us remains intact by visiting our U.S.A. and International operations. I will also be providing guidance in the development of new merchandising and marketing concepts. Lastly, I will be working with governmental officials throughout the world to ensure that Toys "R" Us is able to continue its global expansion.

I look forward to my new role and remain as excited about the future prospects of Toys "R" Us today, as I first did more than four decades ago.

Charles Lazarus  
Chairman of the Board



# **MANAGEMENT'S DISCUSSION-RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

## **RESULTS OF OPERATIONS\***

The Company has experienced sales growth in each of its last three years; sales were up 10.8% in 1993, 17.1% in 1992 and 11.1% in 1991. Part of the growth is attributable to the opening of 130 new U.S.A. toy stores, 137 international toy stores and 57 children's clothing stores during the three year period, and a portion of the increase is due to comparable U.S.A. toy store sales increases of 3.3%, 6.9% and 2.4% in 1993, 1992 and 1991, respectively.

Cost of sales as a percentage of sales decreased to 69.2% in 1993 from 69.3% in 1992 and from 70.0% in 1991 due to a more favorable merchandise mix.

Selling, advertising, general and administrative expenses as a percentage of sales increased to 18.8% in 1993 from 18.7% in 1992 primarily as a result of start-up costs for the opening of our new market in Australia. These expenses decreased in 1992 from 18.8% in 1991 as a result of labor productivity gains and other cost cutting measures.

Interest expense increased in 1993 and 1992 compared to 1991 due to increased average borrowings, the mix between short-term and long-term borrowings and the mix between countries, partially offset by lower short-term interest rates. Short-term interest income increased during these periods due to an increase in cash available for investment.

The effective tax rate increased to 37.5% in 1993 from 36.5% in 1992, due to a 1% increase in the U.S. Federal corporate income tax rate and an adjustment for the retroactive impact of this tax change. The effective tax rate decreased to 36.5% in 1992 from 37.0% in 1991, due to a change in the mix of foreign earnings and certain foreign tax benefits. The Company believes its deferred tax assets, as reported, are fully realizable.

The Company believes that its risks attendant to foreign operations are minimal as it operates in sixteen different countries which are politically stable. International sales and operating earnings were unfavorably impacted by the translation of local currency results into U.S. dollars at lower average exchange rates in 1993 than in 1992. However, the strong dollar had a favorable impact on the cost of international capital investment in 1993.

Inflation has had little effect on the Company's operations in the last three years.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company continues to maintain a strong financial position as evidenced by its working capital of \$633 million at January 29, 1994 and \$797 million at January 30, 1993. The long-term debt to equity percentage is 23.0% at January 29, 1994 as compared to 23.2% at January 30, 1993.

The Company plans to open 105 to 115 toy stores in 1994 in the United States, Australia, Austria, Belgium, Canada, France, Germany, Japan, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom, as well as the new markets of Denmark and Sweden. Additionally, the Company plans to open about 10 Kids "R" Us children's clothing stores and close approximately 15 to 20 stores (4 stores closed in 1993). The Company believes that the store closings will not have a significant impact on its financial position. The Company opened 108 toy stores in 1993, 84 in 1992 and 75 in 1991 and 10 Kids "R" Us children's clothing stores in 1993, 23 in 1992 and 25 in 1991.

Since 1981, the Company has purchased a significant portion of its real estate and plans to continue this policy. Generally, real estate acquisitions are financed through internally generated funds.

For 1994, capital requirements for real estate, store and warehouse fixtures and equipment, leasehold improvements and other additions to property and equipment are estimated at \$650 million (including real estate and related costs of \$400 million).

In 1993, the Company completed its five million share repurchase program and announced a new one billion dollar share repurchase program which will occur over the next several years. During the three years ended January 29, 1994, the Company repurchased 5,648,000 shares of its common stock for \$210,477,000 pursuant to these programs. The repurchase of shares during 1994 is anticipated to be financed by internally generated funds.

The seasonal nature of the business (approximately 49% of sales take place in the fourth quarter) typically causes cash to decline from the beginning of the year through October as inventory increases for the Christmas season and funds are used for land purchases and construction of new stores, which usually open in the first ten months of the year. Therefore, the Company has commitments and backup lines from numerous financial institutions to adequately support its short-term financing needs. Management expects that seasonal cash requirements will continue to be met primarily through operations, issuance of short-term commercial paper and bank borrowings for its foreign subsidiaries.

Where appropriate, the Company may convert short-term borrowings to long-term debt to achieve a balance between fixed and variable interest rates. In this regard, during 1993 the Company's Japanese subsidiary borrowed 4 billion yen (approximately \$36 million) at various interest rates with a third party in Japan.

\* References to 1993, 1992 and 1991 are for the 52 weeks ended January 29, 1994, January 30, 1993 and February 1, 1992, respectively.



**CONSOLIDATED STATEMENTS OF EARNINGS***(In thousands except per share information)*

|  | Year Ended          |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | January 29,<br>1994 | January 30,<br>1993 | February 1,<br>1992 |
| Net sales.....   | \$ 7,946,067        | \$ 7,169,290        | \$ 6,124,209        |
| Costs and expenses:                                    |                     |                     |                     |
| Cost of sales .....                                    | 5,494,766           | 4,968,555           | 4,286,639           |
| Selling, advertising, general and administrative ..... | 1,497,011           | 1,342,262           | 1,153,576           |
| Depreciation and amortization .....                    | 133,370             | 119,034             | 100,701             |
| Interest expense .....                                 | 72,283              | 69,134              | 57,885              |
| Interest and other income .....                        | (24,116)            | (18,719)            | (13,521)            |
|  | <u>7,173,314</u>    | <u>6,480,266</u>    | <u>5,585,280</u>    |
| Earnings before taxes on income .....                  | 772,753             | 689,024             | 538,929             |
| Taxes on income .....                                  | 289,800             | 251,500             | 199,400             |
| Net earnings.....                                      | <u>\$ 482,953</u>   | <u>\$ 437,524</u>   | <u>\$ 339,529</u>   |
| Earnings per share.....                                | <u>\$ 1.63</u>      | <u>\$ 1.47</u>      | <u>\$ 1.15</u>      |

See notes to consolidated financial statements.



**CONSOLIDATED BALANCE SHEETS***(In thousands)*

|  | January 29,<br>1994 | January 30,<br>1993 |
|--|---------------------|---------------------|
| <b><u>ASSETS</u></b>                                 |                     |                     |
| Current Assets:                                      |                     |                     |
| Cash and cash equivalents .....                      | \$ 791,893          | \$ 763,721          |
| Accounts and other receivables .....                 | 98,534              | 69,385              |
| Merchandise inventories .....                        | 1,777,569           | 1,498,671           |
| Prepaid expenses and other .....                     | 40,400              | 52,731              |
| Total Current Assets .....                           | 2,708,396           | 2,384,508           |
| Property and Equipment:                              |                     |                     |
| Real estate, net .....                               | 2,035,673           | 1,876,835           |
| Other, net .....                                     | 1,148,794           | 926,715             |
| Total Property and Equipment .....                   | 3,184,467           | 2,803,550           |
| Other Assets .....                                   | 256,746             | 134,794             |
|  | <u>\$ 6,149,609</u> | <u>\$ 5,322,852</u> |
| <b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>   |                     |                     |
| Current Liabilities:                                 |                     |                     |
| Short-term borrowings .....                          | \$ 239,862          | \$ 120,772          |
| Accounts payable .....                               | 1,156,411           | 941,375             |
| Accrued expenses and other current liabilities ..... | 471,782             | 361,661             |
| Income taxes payable .....                           | 206,996             | 163,841             |
| Total Current Liabilities .....                      | 2,075,051           | 1,587,649           |
| Deferred Income Taxes .....                          | 202,663             | 175,430             |
| Long-Term Debt .....                                 | 710,365             | 660,488             |
| Obligations Under Capital Leases .....               | 13,248              | 10,264              |
| Stockholders' Equity:                                |                     |                     |
| Common stock .....                                   | 29,794              | 29,794              |
| Additional paid-in capital .....                     | 454,061             | 465,494             |
| Retained earnings .....                              | 3,012,806           | 2,529,853           |
| Foreign currency translation adjustments .....       | (56,021)            | 14,317              |
| Treasury shares, at cost .....                       | (292,358)           | (150,437)           |
|  | <u>3,148,282</u>    | <u>2,889,021</u>    |
|  | <u>\$ 6,149,609</u> | <u>\$ 5,322,852</u> |

See notes to consolidated financial statements.



**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

|  | January 29,<br>1994 | January 30,<br>1993 | Year Ended<br>February 1,<br>1992 |
|--|---------------------|---------------------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                     |                                   |
| Net earnings.....  | \$ 482,953          | \$ 437,524          | \$ 339,529                        |
| Adjustments to reconcile net earnings to net cash<br>provided by operating activities: |                     |                     |                                   |
| Depreciation and amortization .....  | 133,370             | 119,034             | 100,701                           |
| Deferred income taxes .....  | 36,534              | 13,998              | 15,817                            |
| Changes in operating assets and liabilities:   |                     |                     |                                   |
| Accounts and other receivables .....   | (29,149)            | (5,307)             | 9,092                             |
| Merchandise inventories .....  | (278,898)           | (108,066)           | (115,436)                         |
| Prepaid expenses and other operating assets .....                                      | (39,448)            | (36,249)            | (16,176)                          |
| Accounts payable, accrued expenses and other liabilities .....                         | 325,165             | 112,232             | 462,152                           |
| Income taxes payable .....   | 26,588              | 40,091              | 7,071                             |
| Total adjustments .....  | 174,162             | 135,733             | 463,221                           |
| Net cash provided by operating activities .....  | 657,115             | 573,257             | 802,750                           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                     |                                   |
| Capital expenditures, net .....  | (555,258)           | (421,564)           | (548,538)                         |
| Other assets .....   | (58,383)            | (22,175)            | (17,110)                          |
| Net cash used in investing activities .....  | (613,641)           | (443,739)           | (565,648)                         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                     |                     |                                   |
| Short-term borrowings, net .....   | 119,090             | (170,887)           | (94,811)                          |
| Long-term borrowings .....   | 40,576              | 318,035             | 197,802                           |
| Long-term debt repayments .....  | (1,335)             | (7,926)             | (1,590)                           |
| Exercise of stock options .....  | 29,879              | 86,323              | 32,707                            |
| Share repurchase program .....   | (183,233)           | (27,244)            | -                                 |
| Net cash provided by financing activities .....  | 4,977               | 198,301             | 134,108                           |
| Effect of exchange rate changes on cash<br>and cash equivalents .....                  | (20,279)            | (8,691)             | 38,378                            |
| <b>CASH AND CASH EQUIVALENTS</b>   |                     |                     |                                   |
| Increase during year .....   | 28,172              | 319,128             | 409,588                           |
| Beginning of year .....  | 763,721             | 444,593             | 35,005                            |
| End of year .....  | \$ 791,893          | \$ 763,721          | \$ 444,593                        |

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

The Company considers its highly liquid investments purchased as part of its daily cash management activities to be cash equivalents. During the years ended January 29, 1994, January 30, 1993 and February 1, 1992, the Company made income tax payments of \$220,229, \$151,722 and \$155,469 and interest payments (net of amounts capitalized) of \$104,281, \$83,584 and \$46,763, respectively.

See notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

| <i>(In thousands)</i>                                   | <u>Issued</u> |               | <u>Common Stock</u><br><u>In Treasury</u> | <u>Additional<br/>paid-in<br/>capital</u> | <u>Retained<br/>earnings</u> |
|---|---------------|---------------|---|---|------------------------------|
|   | <u>Shares</u> | <u>Amount</u> | <u>Amount</u>                             |   |                              |
| Balance, February 2, 1991 .....                         | 297,938       | \$ 29,794     | \$ (129,340)                              | \$ 353,924                                | \$ 1,752,800                 |
| Net earnings for the year .....                         | -             | -             | -   | -   | 339,529                      |
| Exercise of stock options (1,640 Treasury shares) ..... | -             | -             | 1,623                                     | 15,259                                    | -                            |
| Tax benefit from exercise of stock options .....        | -             | -             | -   | 15,620                                    | -                            |
| Balance, February 1, 1992 .....                         | 297,938       | 29,794        | (127,717)                                 | 384,803                                   | 2,092,329                    |
| Net earnings for the year .....                         | -             | -             | -   | -   | 437,524                      |
| Share repurchase program (708 Treasury shares) .....    | -             | -             | (27,244)                                  | -   | -                            |
| Exercise of stock options (4,479 Treasury shares) ..... | -             | -             | 4,524                                     | 35,301                                    | -                            |
| Tax benefit from exercise of stock options .....        | -             | -             | -   | 45,390                                    | -                            |
| Balance, January 30, 1993 .....                         | 297,938       | 29,794        | (150,437)                                 | 465,494                                   | 2,529,853                    |
| Net earnings for the year .....                         | -             | -             | -   | -   | 482,953                      |
| Share repurchase program (4,940 Treasury shares) .....  | -             | -             | (183,233)                                 | -   | -                            |
| Exercise of stock options (1,394 Treasury shares) ..... | -             | -             | 41,312                                    | (21,464)                                  | -                            |
| Tax benefit from exercise of stock options .....        | -             | -             | -   | 10,031                                    | -                            |
| Balance, January 29, 1994 .....                         | 297,938       | \$ 29,794     | \$ (292,358)                              | \$ 454,061                                | \$ 3,012,806                 |

See notes to consolidated financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Fiscal Year

The Company's fiscal year ends on the Saturday nearest to January 31. References to 1993, 1992 and 1991 are for the 52 weeks ended January 29, 1994, January 30, 1993 and February 1, 1992, respectively.

#### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated. Assets and liabilities of foreign operations are translated at current rates of exchange at the balance sheet date while results of operations are translated at average rates in effect for the period. Translation gains or losses are shown as a separate component of stockholders' equity. The increase (decrease) in the foreign currency translation adjustment was (\$70,338,000), (\$33,650,000), and \$7,539,000 for 1993, 1992 and 1991, respectively.

#### Merchandise Inventories

Merchandise inventories for the U.S.A. toy store operations, which represent over 66% of total inventories, are stated at the lower of LIFO (last-in, first-out) cost or market as determined by the retail inventory method. If inventories had been valued at the lower of FIFO (first-in, first-out) cost or market, inventories would show no change at January 29, 1994 or January 30, 1993. All other merchandise inventories are stated at the lower of FIFO cost or market as determined by the retail inventory method.

#### Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets or, where applicable, the terms of the respective leases, whichever is shorter.

#### Preopening Costs

Preopening costs, which consist primarily of advertising, occupancy and payroll expenses, are amortized over expected sales to the end of the fiscal year in which the store opens.

#### Capitalized Interest

Interest on borrowed funds is capitalized during construction of property and is amortized by charges to earnings over the depreciable lives of the related assets. Interest of \$7,300,000, \$8,403,000 and \$12,237,000 was capitalized during 1993, 1992 and 1991, respectively.

#### Financial Instruments

The carrying amounts reported in the balance sheets for cash and cash equivalents and short-term borrowings approximate their fair market values.

#### Forward Foreign Exchange Contracts

The Company enters into forward foreign exchange contracts to eliminate currency movement relating to certain transactions denominated in foreign currency. Gains and losses which offset the movement in the underlying transactions are recognized as part of such transactions. As of January 29, 1994, the Company had \$290,000,000 of outstanding forward contracts maturing in 1994. There were no open contracts at January 30, 1993. The Company does not expect to incur any losses as a result of counterparty defaults.

### PROPERTY AND EQUIPMENT

| <i>(In thousands)</i>                                      | <i>Useful Life<br/>(in years)</i> | <i>January 29,<br/>1994</i> | <i>January 30,<br/>1993</i> |
|--|-----------------------------------|-----------------------------|-----------------------------|
| Land .....   |                                   | \$ 693,737                  | \$ 642,368                  |
| Buildings.....   | 45-50                             | 1,446,277                   | 1,280,850                   |
| Furniture and equipment ..                                 | 5-20                              | 953,360                     | 809,772                     |
| Leaseholds and<br>leasehold improvements ..                | 12 $\frac{1}{2}$ -50              | 658,181                     | 510,780                     |
| Construction in progress...                                |                                   | 41,855                      | 72,895                      |
| Leased property<br>under capital leases .....              |                                   | 24,360                      | 20,193                      |
|  |                                   | <u>3,817,780</u>            | <u>3,336,858</u>            |
| Less accumulated<br>depreciation and<br>amortization ..... |                                   | 633,913                     | 533,308                     |
|  |                                   | <u>\$ 3,184,467</u>         | <u>\$ 2,803,550</u>         |



## LONG - TERM DEBT

| <i>(In thousands)</i>  | <i>January 29,<br/>1994</i> | <i>January 30,<br/>1993</i> |
|--|-----------------------------|-----------------------------|
| Industrial revenue bonds,<br>net of expenses (a).....  | \$ 74,208                   | \$ 74,174                   |
| Mortgage notes payable at annual<br>interest rates from 7 1/8% to 11% (b).....   | 13,318                      | 13,708                      |
| Japanese yen loans payable at annual<br>interest rates from 3.85% to 6.46%, due<br>in varying amounts through 2012 ..... | 142,688                     | 93,904                      |
| British pound sterling 11% Stepped<br>Coupon Guaranteed Bonds, due 2017.....   | 194,415                     | 193,180                     |
| 8 1/4% sinking fund debentures,<br>due 2017, net of discounts .....  | 88,117                      | 88,013                      |
| 8 3/4% debentures, due 2021,<br>net of expenses .....  | 197,978                     | 197,906                     |
|  | <u>710,724</u>              | <u>660,885</u>              |
| Less current portion .....   | <u>359</u>                  | <u>397</u>                  |
|  | <u>\$ 710,365</u>           | <u>\$ 660,488</u>           |

(a) Bank letters of credit of \$57,135,000, expiring in 1995, support certain industrial revenue bonds. The Company expects the bank letters of credit expiring in 1995 will be renewed. The bonds have fixed or variable interest rates with an average of 2.5% at January 29, 1994.

(b) Mortgage notes payable are collateralized by property and equipment with an aggregate carrying value of \$18,628,000 at January 29, 1994.

The fair market value of the Company's long-term debt at January 29, 1994 is approximately \$846,000,000. The fair market value was estimated using quoted market rates for publicly traded debt and estimated current interest rates for non-public debt.

The annual maturities of long-term debt at January 29, 1994 are as follows:

| <i>Year ending in</i>     | <i>(In thousands)</i> |
|---------------------------|-----------------------|
| 1995.....                 | \$ 359                |
| 1996.....                 | 1,655                 |
| 1997.....                 | 3,045                 |
| 1998.....                 | 4,360                 |
| 1999.....                 | 5,310                 |
| 2000 and subsequent ..... | <u>695,995</u>        |
|                           | <u>\$ 710,724</u>     |

## LEASES

The Company leases a portion of the real estate used in its operations. Most leases require the Company to pay real estate taxes and other expenses; some require additional amounts based on percentages of sales.

Obligations under capital leases require minimum payments as follows:

| <i>Year ending in</i>                   | <i>(In thousands)</i> |
|---|-----------------------|
| 1995.....                               | \$ 2,582              |
| 1996.....                               | 2,630                 |
| 1997.....                               | 2,475                 |
| 1998.....                               | 2,255                 |
| 1999.....                               | 1,996                 |
| 2000 and subsequent .....               | <u>12,451</u>         |
| Total minimum lease payments.....       | <u>24,389</u>         |
| Less amount representing interest ..... | <u>9,957</u>          |
| Obligations under capital leases.....   | <u>14,432</u>         |
| Less current portion .....              | <u>1,184</u>          |
|   | <u>\$ 13,248</u>      |

Minimum rental commitments under noncancellable operating leases having a term of more than one year as of January 29, 1994 were as follows:

| <i>(In thousands)<br/>Year ending in</i> | <i>Gross<br/>minimum<br/>rentals</i> | <i>Sublease<br/>income</i> | <i>Net<br/>minimum<br/>rentals</i> |
|--|--------------------------------------|----------------------------|------------------------------------|
| 1995.....                                | \$ 207,664                           | \$ 7,139                   | \$ 200,525                         |
| 1996.....                                | 207,462                              | 6,593                      | 200,869                            |
| 1997.....                                | 204,867                              | 5,754                      | 199,113                            |
| 1998.....                                | 204,730                              | 5,587                      | 199,143                            |
| 1999.....                                | 203,461                              | 4,688                      | 198,773                            |
| 2000 and subsequent .....                | <u>2,770,005</u>                     | <u>31,359</u>              | <u>2,738,646</u>                   |
|  | <u>\$ 3,798,189</u>                  | <u>\$ 61,120</u>           | <u>\$ 3,737,069</u>                |

Total rental expense was as follows:

|  | <i>Year ended</i>           |                             |                             |
|--|-----------------------------|-----------------------------|-----------------------------|
| <i>(In thousands)</i>  | <i>January 29,<br/>1994</i> | <i>January 30,<br/>1993</i> | <i>February 1,<br/>1992</i> |
| Minimum rentals.....   | \$ 180,118                  | \$ 149,027                  | \$ 118,583                  |
| Additional amounts computed<br>as percentages of sales ..... | <u>5,604</u>                | <u>5,447</u>                | <u>5,140</u>                |
|  | <u>185,722</u>              | <u>154,474</u>              | <u>123,723</u>              |
| Less sublease income.....                                    | <u>7,935</u>                | <u>5,788</u>                | <u>2,629</u>                |
|  | <u>\$ 177,787</u>           | <u>\$ 148,686</u>           | <u>\$ 121,094</u>           |





## STOCKHOLDERS' EQUITY

The common shares of the Company, par value \$.10 per share, were as follows:

| (In thousands)         | January 29,<br>1994 | January 30,<br>1993 |
|------------------------|---------------------|---------------------|
| Authorized shares..... | 550,000             | 550,000             |
| Issued shares.....     | 297,938             | 297,938             |
| Treasury shares.....   | 8,416               | 4,870               |

Earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding after reduction for treasury shares and assuming exercise of dilutive stock options computed by the treasury stock method using the average market price during the year.

Weighted average numbers of shares used in computing earnings per share were as follows:

|   | Year ended          |                     |                     |
|---|---------------------|---------------------|---------------------|
| (In thousands)                            | January 29,<br>1994 | January 30,<br>1993 | February 1,<br>1992 |
| Common and common equivalent shares ..... | 296,463             | 297,718             | 296,139             |

## TAXES ON INCOME

The provisions for income taxes consist of the following:

|                | Year ended          |                     |                     |
|----------------|---------------------|---------------------|---------------------|
| (In thousands) | January 29,<br>1994 | January 30,<br>1993 | February 1,<br>1992 |
| Current:       |                     |                     |                     |
| Federal .....  | \$ 200,303          | \$ 186,013          | \$ 138,779          |
| Foreign .....  | 17,259              | 15,605              | 15,378              |
| State .....    | 35,704              | 35,884              | 29,426              |
|                | <u>253,266</u>      | <u>237,502</u>      | <u>183,583</u>      |
| Deferred:      |                     |                     |                     |
| Federal .....  | 49,961              | 17,187              | 19,546              |
| Foreign .....  | (16,186)            | (6,705)             | (7,678)             |
| State .....    | 2,759               | 3,516               | 3,950               |
|                | <u>36,534</u>       | <u>13,998</u>       | <u>15,817</u>       |
| Total .....    | <u>\$ 289,800</u>   | <u>\$ 251,500</u>   | <u>\$ 199,400</u>   |

Deferred tax liabilities and deferred tax assets reflect the net tax effects of temporary differences between the carrying

amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has gross deferred tax liabilities of \$251.7 million at January 29, 1994 and \$190.4 million at January 30, 1993 which consist primarily of temporary differences related to fixed assets of \$194.0 million and \$171.9 million, respectively. The Company had gross deferred tax assets of \$92.8 million at January 29, 1994 and \$63.8 million at January 30, 1993, which consist primarily of net operating losses of foreign start-up operations of \$60.4 million and \$38.5 million, and operating costs not currently deductible for tax purposes of \$23.2 million and \$18.6 million, respectively. Valuation allowances are not significant.

A reconciliation of the federal statutory tax rate with the effective tax rate follows:

|  | Year ended          |                     |                     |
|--|---------------------|---------------------|---------------------|
| (In thousands)   | January 29,<br>1994 | January 30,<br>1993 | February 1,<br>1992 |
| Statutory tax rate .....                                 | 35.0%               | 34.0%               | 34.0%               |
| State income taxes, net of federal income tax benefit... | 3.2                 | 4.0                 | 4.1                 |
| Foreign .....  | (0.5)               | (1.2)               | (0.5)               |
| Other, net .....   | (0.2)               | (0.3)               | (0.6)               |
|  | <u>37.5%</u>        | <u>36.5%</u>        | <u>37.0%</u>        |

Deferred income taxes were not provided on unremitted earnings of foreign subsidiaries that are intended to be indefinitely invested. Unremitted earnings were approximately \$101 million at January 29, 1994, exclusive of amounts that if remitted would result in little or no tax under current U.S. tax laws. Net income taxes of approximately \$35 million would be due if these earnings were to be remitted.

## PROFIT SHARING PLAN

The Company has a profit sharing plan with a 401(k) salary deferral feature for eligible domestic employees. The terms of the plan call for annual contributions by the Company as determined by the Board of Directors, subject to certain limitations. The profit sharing plan may be terminated at the Company's discretion. Provisions of \$29,961,000, \$29,824,000 and \$15,513,000 have been charged to operations in 1993, 1992 and 1991, respectively.



## STOCK OPTIONS

The Company has Stock Option Plans (the "Plans"), including a new plan subject to shareholder approval, which provide for the granting of options to purchase the Company's common stock to substantially all employees and non-employee directors of the Company. The Plans provide for the issuance of non-qualified options, incentive stock options, performance share options, performance units, stock appreciation rights, restricted shares and unrestricted shares. The majority of the options become exercisable four years and nine months from the date of grant. Certain non-qualified options become exercisable nine years from the date of grant, however the exercise date of all or a portion of such options may be accelerated if the price of the Company's common stock reaches certain target amounts. The options granted to non-employee directors are exercisable 20% each year on a cumulative basis commencing one year from the date of grant.

In addition to the aforementioned Plans, stock options aggregating 6,659,375 shares were granted to certain senior executives during the period from 1984 to 1993 pursuant to individual plans. These options are exercisable 20% each year on a cumulative basis commencing one year from the date of grant.

The exercise price per share of all options granted has been the market price of the Company's common stock on the date of grant. Outstanding options must be exercised within ten years from the date of grant.

At January 29, 1994, 13,327,781 shares were available for future grants under the Plans and 4,807,607 options were exercisable. All outstanding options expire at dates varying from May 1994 to December 2003.

At January 29, 1994, an aggregate of 30,574,872 shares of authorized common stock was reserved for all of the Plans noted above.

Stock option transactions are summarized as follows:

| (In thousands except price range)  | Shares Under Option |                  |                 |
|------------------------------------|---------------------|------------------|-----------------|
|                                    | Incentive           | Non<br>Qualified | Price Range     |
| Outstanding January 30, 1993 ..... | 752                 | 13,201           | \$ 7.03 - 39.63 |
| Granted .....                      | -                   | 5,645            | 36.44 - 40.94   |
| Exercised .....                    | (224)               | (1,170)          | 7.03 - 36.94    |
| Cancelled .....                    | (1)                 | (956)            | 9.74 - 39.88    |
| Outstanding January 29, 1994 ..... | 527                 | 16,720           | \$ 7.68 - 40.94 |

The exercise of non-qualified stock options results in state and federal income tax benefits to the Company related to the difference between the market price at the date of exercise and the option price. During 1993, 1992 and 1991, \$10,031,000, \$45,390,000 and \$15,620,000, respectively, was credited to additional paid-in capital.

## FOREIGN OPERATIONS

Certain information relating to the Company's foreign operations is set forth below. Corporate assets include all cash and cash equivalents and other related assets.

| (In thousands)                        | Year ended          |                     |                     |
|---------------------------------------|---------------------|---------------------|---------------------|
|                                       | January 29,<br>1994 | January 30,<br>1993 | February 1,<br>1992 |
| Sales                                 |                     |                     |                     |
| Domestic .....                        | \$ 6,278,591        | \$ 5,795,119        | \$ 5,154,215        |
| Foreign .....                         | 1,667,476           | 1,374,171           | 969,994             |
| Total .....                           | \$ 7,946,067        | \$ 7,169,290        | \$ 6,124,209        |
| Operating Profit                      |                     |                     |                     |
| Domestic .....                        | \$ 724,818          | \$ 647,640          | \$ 527,695          |
| Foreign .....                         | 102,923             | 101,132             | 62,846              |
| General corporate expenses .....      | (6,821)             | (9,333)             | (7,248)             |
| Interest expense, net .....           | (48,167)            | (50,415)            | (44,364)            |
| Earnings before taxes on income ..... | \$ 772,753          | \$ 689,024          | \$ 538,929          |
| Identifiable Assets                   |                     |                     |                     |
| Domestic .....                        | \$ 3,630,921        | \$ 3,277,527        | \$ 3,095,178        |
| Foreign .....                         | 1,694,565           | 1,248,827           | 1,009,455           |
| Corporate .....                       | 824,123             | 796,498             | 477,975             |
| Total .....                           | \$ 6,149,609        | \$ 5,322,852        | \$ 4,582,608        |

## QUARTERLY FINANCIAL DATA

The following table sets forth certain unaudited quarterly financial information.

| (In thousands except per share information) | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter |
|---|------------------|-------------------|------------------|-------------------|
| YEAR ENDED JANUARY 29, 1994                 |                  |                   |                  |                   |
| Net Sales .....                             | \$ 1,286,479     | \$ 1,317,012      | \$ 1,449,118     | \$ 3,893,458      |
| Cost of Sales .....                         | 882,876          | 902,414           | 982,151          | 2,727,325         |
| Net Earnings .....                          | 35,436           | 35,505            | 37,457           | 374,555           |
| Earnings per Share .....                    | \$ .12           | \$ .12            | \$ .13           | \$ 1.27           |
| YEAR ENDED JANUARY 30, 1993                 |                  |                   |                  |                   |
| Net Sales .....                             | \$ 1,172,476     | \$ 1,249,144      | \$ 1,345,835     | \$ 3,401,835      |
| Cost of Sales .....                         | 809,929          | 864,511           | 922,619          | 2,371,496         |
| Net Earnings .....                          | 28,304           | 32,709            | 36,796           | 339,715           |
| Earnings per Share .....                    | \$ .10           | \$ .11            | \$ .12           | \$ 1.14           |



## REPORT OF MANAGEMENT

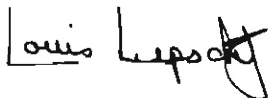
Responsibility for the integrity and objectivity of the financial information presented in this Annual Report rests with Toys "R" Us management. The accompanying financial statements have been prepared from accounting records which management believes fairly and accurately reflect the operations and financial position of the Company. Management has established a system of internal controls to provide reasonable assurance that assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately on the Company's books and records.

The Company's comprehensive internal audit program provides for constant evaluation of the adequacy of the adherence to management's established policies and procedures. The Company has distributed to key employees its policies for conducting business affairs in a lawful and ethical manner.

The 1993 and 1992 financial statements of the Company have been audited by Ernst & Young, independent auditors, in accordance with generally accepted auditing standards, including a review of financial reporting matters and internal controls to the extent necessary to express an opinion on the consolidated financial statements.



Michael Goldstein  
Vice Chairman and  
Chief Executive Officer



Louis Lipschitz  
Senior Vice President-Finance  
and Chief Financial Officer

## MARKET INFORMATION

The Company's common stock is listed on the New York Stock Exchange. The following table reflects the high and low prices (rounded to the nearest one-eighth) based on New York Stock Exchange trading since February 1, 1992.

The Company has not paid any cash dividends and a change in this policy is not under consideration by the Board of Directors.

The number of stockholders of record of common stock on March 9, 1994 was approximately 25,500.

|             | High                           | Low                            |
|-------------|--------------------------------|--------------------------------|
| 1992        |                                |                                |
| 1st Quarter | 38 <sup>5</sup> / <sub>8</sub> | 30 <sup>3</sup> / <sub>8</sub> |
| 2nd Quarter | 37 <sup>1</sup> / <sub>8</sub> | 31                             |
| 3rd Quarter | 41                             | 34 <sup>7</sup> / <sub>4</sub> |
| 4th Quarter | 41 <sup>1</sup> / <sub>4</sub> | 35 <sup>5</sup> / <sub>8</sub> |
| 1993        |                                |                                |
| 1st Quarter | 42 <sup>3</sup> / <sub>8</sub> | 36 <sup>5</sup> / <sub>8</sub> |
| 2nd Quarter | 39 <sup>3</sup> / <sub>4</sub> | 32 <sup>3</sup> / <sub>8</sub> |
| 3rd Quarter | 40 <sup>3</sup> / <sub>8</sub> | 33 <sup>3</sup> / <sub>4</sub> |
| 4th Quarter | 42 <sup>7</sup> / <sub>8</sub> | 36                             |

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
Toys "R" Us, Inc.

We have audited the accompanying consolidated balance sheets of Toys "R" Us, Inc. and subsidiaries, as of January 29, 1994 and January 30, 1993, and the related consolidated statements of earnings, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated statements of earnings, stockholders' equity and cash flows of Toys "R" Us, Inc. and subsidiaries for the year ended February 1, 1992 were audited by other auditors whose report dated March 11, 1992, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 1993 and 1992 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toys "R" Us, Inc. and subsidiaries at January 29, 1994 and January 30, 1993 and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.



New York, New York  
March 9, 1994

## **DIRECTORS AND OFFICERS**

### **DIRECTORS**

**Charles Lazarus**  
Chairman of the Board  
of the Company

**Robert A. Bernhard**  
Real Estate Developer

**Michael Goldstein**  
Vice Chairman and Chief Executive  
Officer of the Company

**Milton S. Gould**  
Attorney-at-law;  
Partner - Shea & Gould

**Shirley Strum Kenny**  
President, Queens College of The City  
University of New York

**Reuben Mark**  
Chairman and CEO  
Colgate-Palmolive Company

**Howard W. Moore**  
Former Executive  
Vice President-General  
Merchandise Manager of  
the Company; Consultant

**Robert C. Nakasone**  
President and Chief Operating  
Officer of the Company

**Norman M. Schneider**  
Former Chairman, Leisure Products  
Division of Beatrice Foods  
Company; Consultant

**Harold M. Wit**  
Managing Director,  
Allen & Company Incorporated;  
Investment Bankers

### **OFFICERS - CORPORATE AND ADMINISTRATIVE**

**Michael Goldstein**  
Vice Chairman and  
Chief Executive Officer

**Robert C. Nakasone**  
President and  
Chief Operating Officer

**Dennis Healey**  
Senior Vice President -  
Management Information Systems

**Louis Lipschitz**  
Senior Vice President - Finance and  
Chief Financial Officer

**Michael P. Miller**  
Senior Vice President - Real Estate

**Jeffrey S. Wells**  
Senior Vice President -  
Human Resources

**Gayle C. Aertker**  
Vice President - Real Estate

**Michael J. Corrigan**  
Vice President - Compensation  
and Benefits

**Jonathan M. Friedman**  
Vice President - Controller

**Eileen C. Gabriel**  
Vice President -  
Information Systems

**Jon W. Kimmins**  
Vice President - Treasurer

**Matthew J. Lombardi**  
Vice President -  
Information Technology

**Eric A. Swartwood**  
Vice President -  
Architecture and Construction

**Michael L. Tumolo**  
Vice President -  
Real Estate Counsel

**Peter W. Weiss**  
Vice President - Taxes

**Andre Weiss**  
Secretary - Attorney-at-law;  
Partner-Schulte Roth & Zabel

### **TOYS "R" US UNITED STATES - OFFICERS AND GENERAL MANAGERS**

**Roger V. Goddu**  
Executive Vice President -  
General Merchandise Manager

**Van H. Butler**  
Senior Vice President - Marketing and  
Divisional Merchandise Manager

**Bruce C. Hall**  
Senior Vice President - Store  
Operations and Support Services

**Michael J. Madden**  
Senior Vice President - Distribution

**Thomas J. Reinebach**  
Senior Vice President -  
Chief Financial Officer

**Ernest V. Speranza**  
Senior Vice President -  
Advertising/Marketing

**Robert J. Weinberg**  
Senior Vice President -  
Divisional Merchandise Manager

**Kristopher M. Brown**  
Vice President - Distribution Operations

**Richard N. Cudrin**  
Vice President - Employee and  
Labor Relations

**Harvey J. Finkel**  
Vice President - Operations

**Martin Fogelman**  
Vice President -  
Divisional Merchandise Manager

**Lee Richardson**  
Vice President - Advertising

**John P. Sullivan**  
Vice President - Divisional  
Merchandise Manager

**Karl S. Taylor**  
Vice President - Merchandise  
Planning and Allocation

### **GENERAL MANAGERS**

**Robert F. Price**  
Vice President  
New York/Northern New Jersey

**Larry D. Gardner**  
Pacific Northwest/Alaska

**Michael A. Gerety**  
Georgia/South Carolina/  
Tennessee/Alabama

**Gary H. Gilliard**  
Colorado/Utah/New Mexico/Montana

**Mark H. Haag**  
Southern California/  
Arizona/Nevada/Hawaii

**Daniel D. Hlavaty**  
Central Ohio/Indiana/Kentucky

**Debra M. Kachurak**  
New England

**Richard A. Moyer**  
S. Texas/Louisiana/Mississippi

**Gerald S. Parker**  
Northern California

**John J. Prawlocki**  
Florida/Puerto Rico

**J. Michael Roberts**  
Pennsylvania/Delaware/  
Southern New Jersey

**Edward F. Siegler**  
Kansas/Missouri/Iowa/Nebraska

**Carl P. Spaulding**  
N.E. Ohio/W. Pennsylvania/N. New York

**William A. Stephenson**  
Illinois/Wisconsin/Minnesota

**John P. Suozzo**  
Maryland/Virginia/North Carolina

**Brian L. Voorhees**  
N. Texas/Oklahoma/Arkansas

**Dennis J. Williams**  
Michigan/N.W. Ohio



## KIDS "R" US - OFFICERS

**Richard L. Markee**  
President

**Virginia Harris**  
Senior Vice President - General  
Merchandise Manager

**James L. Easton**  
Vice President -  
Divisional Merchandise Manager

**Jerel G. Hollens**  
Vice President -  
Merchandise Planning and  
Management Information Systems

**Debra G. Hyman**  
Vice President -  
Divisional Merchandise Manager

**Elizabeth S. Jordan**  
Vice President -  
Human Resources

**Lorna E. Nagler**  
Vice President - Divisional  
Merchandise Manager

**James G. Parros**  
Vice President - Stores and  
Physical Distribution

## TOYS "R" US INTERNATIONAL - OFFICERS AND COUNTRY MANAGEMENT

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President

**Gregory R. Staley**  
Senior Vice President -  
General Merchandise Manager

**Lawrence H. Meyer**  
Vice President -  
Chief Financial Officer

**Philip Bloom**  
Vice President -  
General Merchandise Manager

**Ken Bonning**  
Vice President-Logistics

**Joseph Giamelli**  
Vice President -  
Information Systems

**Adam Szopinski**  
Vice President - Operations

**Keith Van Beek**  
Vice President - Development

## COUNTRY MANAGEMENT

**David Rurka**  
President - Toys "R" Us Europe  
Managing Director -  
Toys "R" Us Holdings PLC  
(United Kingdom)

**Arnt Klöser**  
President - Toys "R" Us  
Central Europe  
Managing Director - TRU A.G.  
(Switzerland)

**Jacques Le Foll**  
President - Toys "R" Us  
S.A.R.L. (France)

**Carl Olsen**  
Managing Director - Toys "R" Us  
(Australia) Pty. Ltd.

**Guillermo Porrati**  
Managing Director - Toys "R" Us  
Iberia, S.A. (Spain)

**Manabu Tazaki**  
President - Toys "R" Us Japan, Ltd.

**Elliott Wahle**  
President - Toys "R" Us (Canada) Ltd.

**Keith C. Spurgeon**  
Vice President - Asia/Australia

**Scott Chen**  
General Manager - Toys "R" Us  
Lifung Taiwan Limited

**Michael Yeo**  
General Manager - Toys "R" Us  
Metro Pte. Ltd. (Singapore)

## CORPORATE DATA

### ANNUAL MEETING

The Annual Meeting of the  
Stockholders of Toys "R" Us will be  
held at the offices of the Company,  
461 From Road, Paramus, New Jersey  
on Wednesday, June 8, 1994 at 10:00 a.m.

### STOCKHOLDER INFORMATION

The Company will supply to any  
owner of Common Stock, upon  
written request to Mr. Louis Lipschitz  
of the Company at the address set  
forth below, and without charge, a  
copy of the Annual Report on Form  
10-K for the year ended January 29,  
1994, which has been filed with the  
Securities and Exchange Commission.

### COMMON STOCK LISTED

New York Stock Exchange, Symbol: TOY

### THE OFFICE OF THE COMPANY

#### IS LOCATED AT

461 From Road  
Paramus, New Jersey 07652  
Telephone: 201-262-7800

### GENERAL COUNSEL

Schulte Roth & Zabel  
900 Third Avenue  
New York, New York 10022

### INDEPENDENT AUDITORS

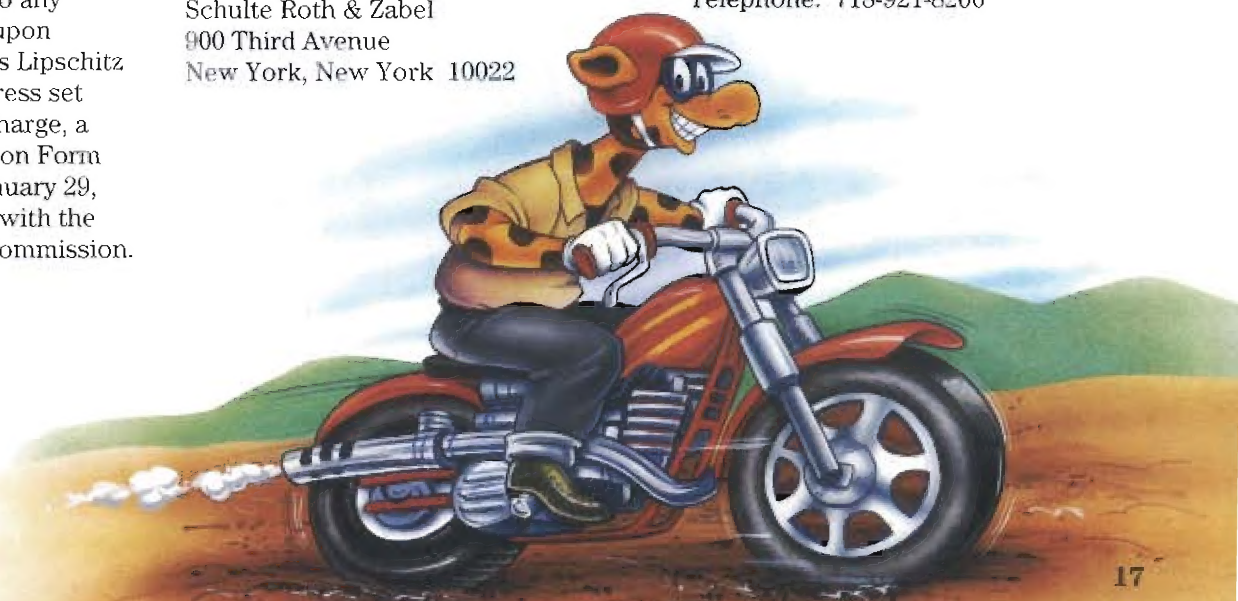
Ernst & Young  
787 Seventh Avenue  
New York, New York 10019

### REGISTRAR AND TRANSFER AGENT

American Stock Transfer  
and Trust Company  
40 Wall Street  
New York, New York 10005  
Telephone: 718-921-8200



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